Mirova International Equity Strategy

Institutional SMA Commentary

Q4 2023

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MARKETING COMMUNICATION[1]

Mirova International Equity Strategy

Quarterly Commentary – Fourth Quarter 2023

Market Environment

After a challenging third quarter in which most developed and emerging equity markets declined, global equity markets rallied strongly in the final quarter of 2023 thanks to moderating inflation and the possibility of sooner-than-expected rate cuts by central banks in 2024. At the same time, economic data and labor markets in some regions continued to show resilience helping to support the soft-landing narrative. Despite expected rate cuts in 2024 and the possibility for a soft landing in some economies, we continue to operate under the assumption of higher-for-longer interest rates and slowing global growth is still expected for 2024.

While growth stocks outperformed value, the fourth-quarter rally broadened out beyond the Magnificent 7 stocks, which accounted for about 19% of the index by weight as of the end of 2023 and fueled equity market returns in the first part of the year. In fact, through the first three quarters of the year, the Magnificent 7 stocks contributed 63% of the MSCI World Index's 11.10% total net return in USD, while contributing only 23% of the index's 11.42% return for the fourth quarter. European equities performed well, though underperformed the U.S. mainly due to having a smaller weight in Information Technology, the best performing sector during the quarter. While China continued to experience weakness due to growth concerns, emerging market equities overall were able to deliver a solid fourth quarter result. The Information Technology, Real Estate and Industrials sectors outperformed, while traditional Energy underperformed as oil prices fell from around $90/bbl (WTI crude oil) at the end of September to around $70/bbl in December. While the renewable energy space had a challenging year, some of the issues that have faced these companies began to ease and we saw stronger performance from certain names during the fourth quarter, though we continue to be very selective in the space, focusing on individual company fundamentals. The Consumer Staples, Health Care and Utilities sectors also lagged the broad market as recession fears eased during the quarter with central banks signaling the end of monetary tightening and these sectors tend to perform better on a relative basis during recessionary environments.

Strategy Performance[2]

Quarterly Overview

Over the fourth quarter of 2023, the Mirova International Equity Strategy outperformed global markets ex-U.S., represented by the MSCI EAFE (Net) Index. The Strategy returned 14.78% net-of-fees, while its benchmark returned 10.42%.

Broadly speaking, by GICS sectors, both sector positioning and stock picking contributed positively to the Strategy's outperformance. Sector positioning overall contributed positively with our overweight to Information Technology, the best performing sector during the quarter, and lack of exposure to traditional Energy, the worst performing sector during the quarter, being key positive contributors to relative performance. Stock picking within the Industrials and Health Care sectors were top positive contributors, while stock picking in Materials detracted from relative performance. Style exposure overall benefited relative performance as quality and growth (two biases in the portfolio) stocks outperformed on average.

[1] Marketing communication intended for Investment Professionals / Professional Clients as defined by MiFID / Qualified Investors only. Please refer to the legal documentation before making any final investment decisions. The Mirova International Equity Strategy is exposed to risk of capital loss, counterparty risk, capitalization size of companies, emerging markets, global investing, changes in Laws and/or Tax Regimes, Financial derivatives, ESG Investing Risk & Methodological limits, Sustainability risks, Equity, Exchange rates, Portfolio concentration.
[2] Past performance is not a reliable indicator of future performance.

By GICS Sector (Q4 – 2023)

In terms of security selection by GICS sector, stock picking within the Industrials and Health Care sectors contributed positively to relative performance, while stock picking within Materials was the main detractor.

Within Industrials, Vestas Wind Systems was a strong contributor to relative performance. Vestas Wind Systems performed well with investors reacting positively to the company's solid Q3 earnings results announced in early November that beat top- and bottom-line consensus estimates and showed margin improvement and guidance that implies further margin improvement in Q4 on pricing improvements, improving supply demand and falling costs. The stock was also supported by positive pipeline developments and the European Commission's new EU Wind Power Package published at the end of October, which sets out immediate actions to address the challenges the wind power industry is facing such as permitting, auction design, access to financing, etc. Within Health Care, Novo Nordisk and Terumo outperformed. Novo Nordisk outperformed the broader Health Care sector on continued excitement around obesity treatments and potential applications of the GLP-1 class of drugs in other diseases, including cardiovascular and kidney disease. Novo also reported preliminary 3Q results in October and raised its sales and operating profit outlook for FY2023 reflecting higher full-year expectations for Ozempic volumes in the U.S. Japanese multinational supplier of medical equipment Terumo Corporation performed well in the fourth quarter following excellent 2Q FY2023 results announced in mid-November. Terumo delivered firm beats in every segment and region as growth accelerated and margins rebounded, reflecting successful price increases and strong volume, and continued streamlining of general and administrative expenses. Terumo continues to present attractive broad-based stable growth prospect, a management team focused on margin expansion and an encouraging product pipeline.

Stock picking within Materials was the main relative detractor. While specialty chemicals and ingredients company Croda International's stock was still positive during the quarter, it underperformed during the first part of the quarter and lagged the broader Materials sector, which was the second-best performing sector in the index for the quarter. Over the last couple of years, the ingredients sector overall has been challenged by ongoing stocking and destocking issues driven by rising inflation and supply chain constraints and disappointing volumes and, while this is a temporary headwind and customer (e.g., food and home and personal care companies) inventories have likely peaked, the normalization process has taken longer than expected. Croda has been hit hard and the stock was down on the year on weaker-than-expected financial performance as a result. The management team issued a profit warning mid-year, lowering full-year guidance as its customers in consumer care, crop and industrial end markets continued destocking. Customer inventory normalization, originally expected to come to an end in the first half of the year, continued into the second half, and sales volumes were also lower than expected given a weaker demand environment.

By Position (Q4 – 2023)

Adyen and Vestas Wind Systems were the best performing holdings for the quarter. Global payment processing company Adyen performed strongly, off recent lows after a period of underperformance that followed 1H23 financial results announced in August (see previous communications). We attended Adyen's early November Investor Day at which the company gave a positive update on Q3 revenue, which was a clear beat (on lowered expectations). Management also provided more near-term visibility by providing medium-term guidance for the first time with a 2026 target on revenue and margin (in addition to its intact long-term targets), removing the overhang of lack of near-term visibility. Adyen has committed to addressing one of the market's key concerns, which was lack of communication; prior to August, the company was communicating to the market only twice per year and since the strong selloff in August they clearly got the message and will be communicating quarterly going forward in addition to holding an annual capital markets day and providing mid-term targets. Wind turbine manufacturer Vestas Wind Systems performed well with investors reacting positively to the company's solid Q3 earnings results announced in early November that beat top- and bottom-line consensus estimates and showed margin improvement and guidance that implies further margin improvement in Q4 on pricing improvements, improving supply demand and falling costs. The stock was also supported by positive pipeline developments and the European Commission's new EU Wind Power Package published at the end of October, which sets out immediate actions to address the challenges the wind power industry is facing such as permitting, auction design, access to financing, etc.

Worldline and Orsted were the two worst performing holdings for the quarter. Digital payments company Worldline underperformed after issuing a profit warning for 2023 and 2024 after six decent quarters. Management cited in part deteriorating macro, primarily a shift in German consumer behavior accelerating the move to non-discretionary spending, impacting growth and profitability. Apparently, management underestimated the impact of two years of inflation at 6-8% on the type of consumption in their regions. In this context, and given their greater exposure to merchants' activities, the impact on margins was more important than expected. Management also cited increasing compliance standards and the closing of some customer accounts as a result of analysis done with the German financial authority. Management also announced that the group has decided to move to a new phase faster than expected, with investments that were planned for 2025-2027 being made now even if it further resets guidance. In its previous phase, Worldline built itself as a consolidator of the European market, which they have done for years, including three transformative acquisitions. However, this phase was accomplished with strong tailwinds, such as the transition from cash to electronic payment taking off and ever higher volumes in an economic context of low inflation and very low interest rates. This phase, although very beneficial for the growth of the group, has also led to restructuring costs and integration is still underway. A real need for rationalization and simplification is needed. After additional analysis we have concerns on the overall fundamental quality and credibility of the management team as well as the long-term plan. As a result of lower conviction, we decided to exit the position in Worldline. Offshore wind utility Orsted was the second worst performer for the holding period (we exited the position in October). As we wrote in our Q3 commentary, in late August, Orsted announced a set of impairments related to its U.S. offshore and onshore portfolios that, at the time, were estimated to total up to ~$2.3bn. It was announced that three projects (Ocean Wind 1, Sunrise Wind, and Revolution Wind) have been negatively impacted by supply chain delays, such as on wind turbine component and foundations providers and on the specialized ships used to transport the massive turbine blades, which could delay revenue generation and future profitability. In addition, previous assumptions around levels of investment tax credit (ITC) qualifications for two of these projects could prove to be too optimistic, leading to an additional impairment if efforts with regulators are unsuccessful. Lastly, the recent increase in long-term U.S. interest rates could lead to impairments if rates remain at current levels. This impairment announcement led to a substantial decline in Orsted's share price. While the issues of supply chain and cost inflation, regulatory uncertainty and higher interest rates are near-term headwinds facing the whole sector, different companies have been impacted to varying degrees based on their exposure and their own practices around these issues. In the case of Orsted, the timing and the amount of the impairments were a surprise to the market as the company had just recently held its quarterly earnings call and previously hosted a capital markets day in June to communicate longer-term financial targets and strategy in which the management team was quite confident. The timing of the impairment news relatively soon after these events and the potential amount shook investor confidence in the management team and the quality of the business. After several conversations with the management team, industry experts and competitors, we updated our analysis on Orsted and decided to exit the position due to deterioration in our confidence in the management team and overall business quality. See our portfolio change comments for more detail.

Portfolio Positioning

The portfolio invests in companies offering solutions to and/or expected to benefit from the demographic, technological, environmental and governance related transitions that are expected to transform the world's economies and societies during the next decade. Our portfolio also has a structural high-quality bias. Higher-quality companies are generally better positioned to weather difficult environments due to having better financial ability to manage through such periods (stronger balance sheets, lower financial leverage). Overall, we continue to prefer high-quality companies with strong balance sheets, solid management teams, and positive exposure to long-term secular trends. We are also more exposed to sectors such as Health Care and Utilities that are traditionally more defensive and tend do well on a relative basis during recessionary environments.

In terms of sector exposure, the portfolio currently has no exposure to the GICS Energy (oil & gas extraction) sector, and it is underweight Communication Services and the Consumer sectors. This is mainly driven by the thematic and sustainability approach we take. As trends like the digitalization of our economy, which saw strong growth as a result of COVID-19, are expected to continue to grow strongly, and support for the health care sector is expected to show solid growth as a result of an aging population and continued focus on health and well-being in the longer term, the portfolio remains strongly exposed to Technology and Health Care. Our exposure to the GICS Financials sector, which is below the benchmark's weight in Financials, is driven in part by our conviction in the digitalization trend, particularly on digital payments, and in the growing need for investment and savings products driven by an aging population. We remain underweight traditional banking and financial services. While we have an underweight position in the more defensive Consumer Staples sector, it is to some extent offset by an overweight position in Materials (mainly natural food ingredients). With many governments still committed to keeping global warming limited to a 2° Celsius scenario, we expect climate change to remain a driver of political debate, and the portfolio will continue to shy away from fossil fuel extraction in favor of renewables and companies focused on energy efficiency. The portfolio's slight overweight to the Utilities sector is driven in part by the conviction in the transition away from fossil fuels. Our conviction in the transition away from fossil fuels, if anything, was strengthened as a result of the Russia/Ukraine conflict as the need for Europe to move toward energy independence was reinforced and alternative energy will need to be a part of that. Regulation globally, including the passing of the IRA in the U.S., at least in the near-term, provides additional visibility on the growth of renewables and energy-efficiency solutions.

Overall, we aim to maintain diversification across and within long-term secular growth drivers and our portfolio continues to deliver that today.

Portfolio Changes (Q4 – 2023)

During the fourth quarter of 2023, we initiated a position in AstraZeneca and exited our positions in Orsted and Worldline. We also trimmed our position in Novo Nordisk and increased our position in L'Oreal.

Sold

Orsted – We exited our position in Orsted in October due to a deterioration in fundamental opinion. Since Orsted's impairment announcement at the end of August, which surprised the market in terms of both timing and amount, we have talked to the management team a couple times, including the CEO and CFO on separate occasions, talked to industry experts such as renewable energy project managers and to Orsted competitors. After all this due diligence, we have come to several conclusions:

First, the impairments on the U.S. projects are partly linked to the unfavorable market environment, such as supply chain delays, that the whole market is facing. In the case of impairments linked to higher interest rates or U.S. investment tax credit (ITC) reasons, these are also issues that the whole sector faces but that have been handled differently by the various players.

Second, we believe the impairments may also be explained by the practices of Orsted and the management team being too optimistic, as well as by the decisions made by the previous management team several years ago in the early days of the U.S. projects, which were made in a very different market context.

- Regarding supply chain and the foundations for the offshore projects, the cost of the foundations for the wind turbines is much higher than expected because Orsted underestimated the costs in the very early stages of the projects.
- The way the company dealt with the uncertainty of the ITC was also disappointing. Other competitors had a much more cautious approach, while the management team of Orsted was initially very bullish on the outcome.
- While competitors were more prudent on capex investments and, as a result, more easily able to walk away from projects, this was not the case for Orsted given the high levels of capex investment before final investment decision (FID).

For all these reasons, we believe the impairments are due to the combination of the unfavorable market environment and imprudent practices of the current and previous management teams. This brings us to the question of the quality of the current management team. After meeting with the company and looking at all our historical interactions with them, based on our analysis, the management team has a lot of things to improve on, including related to the execution of their projects and communication to investors (we believe the company hasn't been very transparent in communicating to the market, making the analysis for investors much more challenging).

For all these reasons, we have lower confidence in the management team's credibility, execution skills and transparency. Although we continue to see a lot of opportunities for the sector, and valuation seems attractive, our confidence in the management team and overall business quality is much lower. Following our analysis and with our strong bias to quality, we decided to sell the position and reallocate the proceeds to higher conviction ideas in the space, reinforcing our positions in NextEra Energy and Vestas Wind Systems.

Worldline – We exited our position in Worldline in October due to concerns about business fundamentals and the company's long-term plan. Digital payments company Worldline issued a profit warning for 2023 and 2024 after six decent quarters, leading investors to question the management team's transparency and communication and credibility as well as the long-term plan for the company. Management cited in part deteriorating macro as a driver of the profit warning, primarily a shift in German consumer behavior accelerating the move to non-discretionary spending, impacting growth and profitability. Apparently, management underestimated the impact of two years of inflation at 6-8% on the type of consumption in their regions. In this context, and given their greater exposure to merchants' activities, the impact on margins was more important than expected. Management also cited increasing compliance standards and the closing of some customer accounts as a result of analysis done with the German financial authority. Management also announced that the group has decided to move to a new phase faster than expected, with investments that were planned for 2025-2027 being made now even if it further resets guidance. In its previous phase, Worldline built itself as a consolidator of the European market, which they have done for years, including three transformative acquisitions. However, this phase was accomplished with strong tailwinds, such as the transition from cash to electronic payment taking off and ever higher volumes in an economic context of low inflation and very low interest rates. This phase, although very beneficial for the growth of the group, has also led to restructuring costs and integration is still underway. A real need for rationalization and simplification is needed. After additional analysis we have concerns on the overall fundamental quality and credibility of the management team as well as the long-term plan. As a result of lower conviction, we decided to exit the position in Worldline.

Initiated

AstraZeneca – We initiated a 100bps position in AstraZeneca in November. U.K.-headquartered AstraZeneca develops, manufactures, and commercializes prescription medicines for Oncology, Cardiovascular, Renal & Metabolic (CVRM), Respiratory & Immunology, and Rare Disease. AstraZeneca is well positioned to benefit from the Demographic Transition and secular trends such as aging population and medical needs as a solution provider with a diversified therapy mix that addresses some of leading causes of death worldwide. The company has also entered the rare disease market in recent years. AstraZeneca is a high-quality company with a capable management team and CEO in Pascal Soriot who has been instrumental in restoring high-single-digit growth after several years of decline thanks in part to their capacity to develop and launch new products (solid return on R&D investment), particularly in oncology (lung, breast, prostate, and pancreatic cancer), and with a promising pipeline for antibody-drug conjugates (ADCs). We believe the strong sales growth should drive a material margin expansion over the medium term, and free cash flow generation should improve in the coming years, allowing the company to further deleverage. Our Sustainability Research Team assigns a High Positive Impact and Medium Residual ESG Risk opinion to AstraZeneca. The company's portfolio offers a substantial contribution to public health and sustainable social development, and it also addresses access to medicine in developing regions, substantially expanding the coverage of its portfolio with equitable pricing strategies over time. However, the company could improve the monitoring of the progress and outcomes of these initiatives. Regarding practices, AstraZeneca has also implemented robust diversity & inclusion and climate strategies, with targets to reach gender equality in management positions and zero carbon from operations by 2025. As a pharmaceutical company, AstraZeneca inherently faces various risks related to product safety, pricing, human resources and environmental impacts. Business ethics is one of the major risks faced by pharmaceuticals companies of this scale, and includes various topics such as corruption, bioethics, off-label marketing or relations with healthcare representatives. Over the last few years, the company has increasingly strengthened risks compliance programs and policies which have kept the company away from severe controversy. Overall, AstraZeneca is one of the industry leaders in terms of sustainability performance and transparency. However, there is room for improvement, and we would like to see more transparency on salesperson remuneration schemes, for example. We believe that the current valuation doesn't reflect the strong financial profile of AstraZeneca and we took the opportunity to initiate a position at what we view as an attractive entry point. The addition of AstraZeneca further diversifies our exposure to the Demographics Transition and the Health Care sector as its portfolio and pipeline is complementary to our existing Health Care positions.

Strategy Outlook

We generally do not base our decision-making on macro forecasts; while an important input, we focus more on the impact to individual company fundamentals to ensure our long-term thesis remains intact. Broadly speaking, while equity markets were stronger than expected for most of the year, we believe we may experience continued volatility in equity markets. While economic data overall has still been supportive, albeit mixed, geopolitical tension continues to exist and is unpredictable in nature. In fact, we saw the continuation of the Russia-Ukraine conflict and the emergence of the Israel-Hamas conflict, which we expect to continue to into 2024. While not our base case scenario, an escalation of either of those two conflicts involving other countries could be particularly negative for European markets. For now, we prefer the lower valuations of European markets over U.S. equities but would likely need to review this position in such a scenario. Last year, we highlighted the tensions between China and Taiwan turning into a military conflict as a major risk. Given the weaker-than-expected economic situation in China, the likelihood of a short-term escalation of this conflict has decreased. Our analysts recently visiting China have come back incrementally more negative about the internal economy, increasing our conviction that China's economic problems are more structural than cyclical. We are lowering our expectations for companies exposed to the Chinese consumer and to the Chinese economy in general. This year is also a historic election year globally with elections in more than 40 countries, representing 41% of the world's population and 42% of its GDP (Bloomberg Economics). In a more polarized world politicians take more extreme positions, which makes it more difficult to forecast the longevity of policies. This in turn makes it more difficult to make reliable forecasts based on those policies, adding to the expected volatility in equity markets.

Additionally, while inflation in many regions may have peaked, and it is expected that we have reached the end of monetary tightening, we continue to work under the assumption of higher inflation, and therefore rates, for longer. We may see slowing global growth and there is a risk, specifically in the U.S., of slowing consumer spending and potential for a small recession in the second half of the year. While we remain cautious in our overall positioning as a result, we don't necessarily believe that this is a bad setup for equities in

2024. However, selectivity will continue to be key, and we continue to focus on individual company fundamentals to ensure that the fundamentals or the long-term theses on the companies have not changed.

With this backdrop in mind, we have maintained our overweight to Europe in our global portfolios as we see more valuation opportunities compared to the U.S. and we continue to have a more balanced portfolio that we believe may do well in many different environments. On one hand, we have strong exposure to more defensive areas like Utilities and Health Care, food production, and companies within Technology with strong recurring revenue streams that are resilient in difficult economic environments. However, we also have exposure to companies that are well-positioned for a more benign economic situation or a recovery in the economy such as renewable energy and auto and auto component manufacturers that focus on more efficient and electric mobility, for example. In general, we like high-quality companies and, especially when interest rates are high, know that companies with larger amounts of debt on their balance sheets and those that may need to refinance that debt will find it more difficult to generate strong earnings growth. Therefore, we continue to focus the portfolio on high-quality companies with strong balance sheets.

Focusing on specific areas of opportunity for 2024, we believe we may see a reversal or at least an easing of near-term headwinds for some sectors. In particular, certain renewable energy, health care and technology companies may be well positioned in 2024.

While we have seen underperformance from renewable energy companies over the last three years, many of the challenges related to supply chains, pricing and inflation may be behind us, specifically for important wind turbine manufacturers in the space, and we expect certain companies may be set up to perform well in 2024. We believe these companies will be supported as we continue to see strong demand for renewable energy driven by 1) global governments having strong commitments on low carbon sources of energy, 2) the geopolitical tensions reinforcing the strategic importance of energy security and independence, requiring renewables to play a larger role, and 3) significantly declining renewable energy costs over the decades, becoming more cost competitive against traditional energy. This, combined with more attractive valuations in many of these stocks today, especially compared to the end of 2020/early 2021, potentially sets the sector up more positively going forward. As the global energy transition represents a multi-decade investment opportunity, our investment approach favors exposure to structural growth tailwinds from renewable energy rather than focusing on short-term, cyclical swings from traditional energy. In fact, we saw oil prices fall about 27% from the 2023 highs reached in late September to mid-December on the back of growing concerns about slowing global demand and higher inventories in the U.S.. While we are more optimistic and continue to have high conviction in the secular trends toward a low-carbon economy and energy independence, we may continue to see some near-term volatility in renewables, and we have not increased our overall exposure to sector.

Regarding opportunities in Health Care being driven by secular demographic shifts, we have seen strong performance from companies involved in the treatment of diabetes and obesity, and we expect this to continue. We have also seen a significant amount of research and development spending in areas like oncology and age-related diseases, such as Alzheimer's disease, and we expect to see more of these products come to market and drive performance for these companies over the next couple of years. Additionally, we have seen underperformance in the life sciences industry in 2023 due to transitory issues. From 2020 to 2022, certain life sciences companies benefited significantly from Covid that offered diagnostic tools and Covid vaccine development solutions and have recently been going through a normalization process. Going forward, we believe we will see the headwind of post-Covid normalization process decrease significantly. Another headwind has been that the organic growth for life sciences is currently slightly lower than the long-term average. For these two reasons, the life sciences industry has underperformed. However, our long-term view on life sciences businesses is unchanged and we believe this space will continue to benefit from secular trends such as aging population and structurally higher investment and spending in health care globally. We believe the long-term business opportunity for high-quality life sciences businesses remains untouched and given the recent underperformance, we believe valuations have become much more attractive.

Within technology, we expect AI to continue to grow, not only through the solutions providers but also through the introduction of AI in normal business operations for companies across industries. For example, in the health care sector, we see growing adoption of AI-driven solutions in areas like pharma and medical products where AI could deliver significant value in product research and development and software engineering, as well as customer operations and documentation, marketing and sales, and legal and other workflows. We expect this to be a more important theme going forward, unlocking significant incremental economic value. We may see increased regulation around AI globally in 2024, which may impact AI-related opportunities in the near term but may favor the large, high-quality companies that lead in the space. Within technology, many of the AI-related names have done very well since the end of 2022, but we see opportunity in other high-quality names that the market has yet to fully recognize, both in terms of fundamentals and sustainability.

Potential downside risks include increasing geopolitical tensions, inflation risk and slower-than-expected economic growth and a deeper and/or broader recession than the market is currently expecting. The potential for a resurgence in inflation, declining consumer spending and/or central banks keeping policy at restrictive levels longer than expected may create downside risk. Additionally, although the risks of a severe recession in Europe triggered by an energy crisis have greatly decreased compared to the situation before the outbreak of war in Ukraine, a possible exacerbation of geopolitical tensions in Europe or the Middle East could still cause huge fluctuations in oil prices, natural gas and other raw materials, and would likely end the ongoing disinflationary process with major impacts on our growth outlook, in addition to the prospects for inflation and rates. Lastly, the political, geopolitical and regulatory landscape is set for an uncertain year, and we will watch developments closely to see how it may affect our portfolio companies and portfolio positioning more broadly.

Overall, we believe maintaining patience, a long-term perspective and a focus on fundamentals is key in any environment. If we look beyond the short term, nothing has changed regarding the long-term demographic, environmental, technological and governance trends shifting the economy we focus on, such as aging population, climate change and digitalization. These trends are secular in nature. We continue to focus on identifying opportunities well positioned in the context of a transitioning world. While our portfolios may face volatility in the short term, we believe that the portfolios are well positioned with high-quality companies addressing long-term thematic (secular) growth trends, believe that underlying fundamentals remain strong, and we continue to take advantage of disconnects between current stock prices and long-term value of companies.

Mirova International Equity Strategy – Top 10 Portfolio Holdings by Weight (as of December 29, 2023)

	% of Portfolio
ASML Holding NV	5.08
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	4.82
Novo Nordisk A/S Class B	4.58
KBC Group N.V.	4.03
SAP SE	3.98
Iberdrola SA	3.93
Vestas Wind Systems A/S	3.90
L'Oreal S.A.	3.86
Air Liquide SA	3.70
Legal & General Group Plc	3.57

Mirova International Equity Composite (USD) (as of December 29, 2023)

The figures given refer to previous years. Past performance is not a reliable indicator of future performance.

Year	Composite Gross Return	Composite Net Return	Index Return	Int’l Equity Gross 3-Year STD	Int’l Equity Net 3-Year STD	Index 3-Year STD	Portfolios in Composite	Market Value at end of Period (millions)	Total Firm Assets (millions)
2023	15.71%	14.64%	18.24%	20.52%	20.54%	16.81%	≤5	16.22	27,418.26
2022	-23.45%	-24.18%	-14.45%	22.44%	22.46%	20.29%	≤5	8.98	24,756.28
2021	7.39%	6.39%	11.26%	17.15%	17.16%	17.17%	≤5	29.73	26,483.05
2020	24.08%	23.06%	7.82%	N/A	N/A	N/A	≤5	16.63	21,379.32
2019	26.19%	25.15%	22.01%	N/A	N/A	N/A	≤5	17.03	12,349.80

Performance Analysis

Periods over 1 year are annualized

	3 months	YTD	1 year	3 years	5 years	Since inception
Composite Gross Return	15.04%	15.71%	15.71%	-1.65%	8.64%	8.64%
Composite Net Return	14.78%	14.64%	14.64%	-2.58%	7.67%	7.67%
Index Return	10.42%	18.24%	18.24%	4.02%	8.16%	8.16%

The "Total Firm Assets" shows the AUM of the "Firm" as defined in the "GIPS DISCLAIMER" spreadsheet. In April 2019, historical AUM of the firm were recalculated, in order to reflect the portfolios that are excluded from GIPS. The three-year annualized standard deviation measures the variability of the gross composite returns and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for periods that do not meet the 36-month requirement.

The benchmark shown is presented to illustrate the effect of general market or economic conditions on a wider universe of securities and is not composed of securities predominantly focused on sustainability or other ESG matters. Mirova US' portfolios differ from the benchmark because Mirova US focuses on sustainable investing. Please see the investment goal and investment strategies for more information.

Composite Inception Date is December 31, 2018. The Index is the MSCI EAFE Net Total Return USD Index.

MIROVA

Mirova International Equity Composite
Inception Date: 12-31-2018
Date of report: 12-29-2023
This report shows performances in USD

GIPS Disclaimer

Composite definition:

The composite comprises all the discretionary portfolios invested mainly in equities of large world ex-U.S. companies meeting ESG selection criteria. The composite was created on 31 December 2018. The reference currency of the composite and its index is USD.

Benchmark definition:

The composite benchmark is the MSCI EAFE Net Total Return USD Index. The MSCI EAFE Index (Net) is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. It is calculated on the basis of closing prices, expressed in USD.

Minimum account size:

The minimum portfolio size for inclusion in the composite is 8 million euro. However, if the net assets of a portfolio drop below 8 million euro (but stay above 4.5 million euro) for a period of 6 months and then return to a level of 8 million euro or higher, the portfolio will be not excluded.

Since 1 January 2019, there is no longer a minimum portfolio size for inclusion in the composite.

Investment Management fees:

For segregated accounts, the fee schedule does not include custody and accounting. These fees are non-binding and purely indicative as different fee schemes may be offered anytime. Performance fees may be added to investment management fees.

The management fee schedule applicable to institutional clients is as follows : 0.70% per annum if the assets under management are below 100 million USD, 0.60% per annum if the assets under management are above 100 million USD and below 200 million USD, and 0.50% per annum if the assets under management are greater than 200 million USD, with a minimum new account size of 50 million USD.

Firm:

Mirova is an affiliate of Natixis Investment Managers, was created on January 1, 2014, and is dedicated to Sustainable Investment. Before that date, and since November 1, 2012, Mirova was a brand and an investment unit of Natixis Asset Management. Performance shown prior to November 1, 2012 represent results achieved by these same dedicated teams to sustainable investment strategies, while they were part of Natixis Asset Management, even if the Mirova brand was not yet created. The perimeter of the Firm Mirova includes all portfolios managed by Mirova in Paris and by Mirova US, with the exception of real assets portfolios (including infrastructure portfolios). Mirova is operated in the U.S. through Mirova US. Mirova US is a U.S.- based investment advisor that is wholly owned by Mirova and was incorporated in Delaware in December 2018 and began operations on March 29, 2019. Previously Mirova was operated in the US through the Mirova division within Ostrum Asset Management U.S., LLC (previously Natixis Asset Management U.S., LLC).

Compliance Statement:

Mirova claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Mirova has been independently verified for the periods January 1, 2014 to December 31, 2022. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

List of composites:

A list of all composite descriptions is available upon request.

Policies:

Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Methodology:

Accounts are valued at least at each cash flow and at the last trading day of each month. Composite returns are calculated monthly. The performance measurement period used for presentations that comply with GIPS standards is one month. Accordingly, in compliance with GIPS standards, a portfolio is included in the composite at the beginning of the month following either its creation or the date at which it first meets the inclusion guidelines. Similarly, a portfolio is taken out of the composite at the end of the month preceding either its liquidation or the date at which it ceases to meet the inclusion criteria. Composite returns are calculated by beginning of period asset weighting the individual account returns, monthly returns are linked geometrically. Returns are calculated with the market values of accounts and includes the reinvestment of dividends, capital gains and other earnings. Gross of fee returns corresponds to performance before all effective charges except transaction costs. Net of fees returns are equal to "gross of fees" returns less fixed and variable (if applicable) management fees, custody and other administrative expenses and any intermediation fees. Net performances are calculated using actual ongoing charges except for carve-outs, for which model fees that are representative of the strategy are applied. All performance is expressed in USD.

Internal Dispersion:

Internal dispersion is calculated using the asset-weighted standard deviation of the annual gross returns of those portfolios that were included in the composite for the entire year. For those years when less than five portfolios were included in the composite for the full year, no dispersion measure is presented.

Standard Deviation:

Volatility is represented by standard deviation. The standard deviation measures variability of returns. High volatility is generally associated with a high level of risk. Standard deviation is annualized using monthly returns. Composite and benchmark's three-year annualized volatility is published when there are 36 months of returns.

Derivatives application:

The Firm uses derivatives products within the limits provided by regulations and those imposed by the clients.

Portfolio accounting principles:

Since its creation, the Firm has chosen the principle of accounting for transactions at trade date and not at delivery date. Dividends portfolio stocks are accounted for ex-dividend date, net of taxation at source, and accrued interest on bonds is accounted at each calculation of market value. All revenues and capital gains or losses, including latent revenues and capital gains or losses, figure in the asset value of the portfolio.

Transactions within the UCITS portfolios which make up the composite are recorded in the accounts in conformity with the current UCITS accounting regulations. Regular and annual statements of returns for each of the UCITS registered in France have been certified by external auditors in accordance with the standards of the French national society of auditors (Compagnie Nationale des Commissaires aux Comptes) and in accordance with the international auditing norms for UCITS registered in Luxembourg.

Tracking error:

Tracking error measures the dispersion (standard deviation) of the spread between the Composite returns and its Benchmark returns. A high value of this indicator implicates irregular spreads between the Composite returns performances and those of its Benchmark. It is annualized, using monthly returns of both the Composite and its Benchmark.

Sharpe Ratio:

Sharpe ratio is an outperformance indicator of the composite with respect to a risk-free rate, given the risk accepted (composite volatility). The higher the value, the better the composite. The Risk free rate used for the calculation is the capitalised Eonia.

RISKS

A thorough review of the risks should be made before investing in the strategy mentioned herein. Key risks involved with this strategy, include, but are not limited to: Capital loss: Principal value and returns fluctuate over time (including as a result of currency fluctuations) so that Shares, when redeemed, may be worth more or less than their original cost. There is no guarantee that the capital invested in a Share will be returned to the investor in full.

Financial Derivatives Instruments: the strategy may engage in derivatives transactions as part of its investment strategy for hedging and efficient portfolio management purpose. These strategies currently include the use of listed and OTC derivatives. A derivative is a contract whose price is dependent upon or derived from one or more underlying assets. The most common derivatives instruments include, without limitation, futures contracts, forward contracts, options, warrants, swaps and convertibles securities. The value of a derivative instrument is determined by fluctuations in its underlying asset. The most common underlying assets include stocks, bonds, currencies, interest rates and market indexes. The use of derivatives for investment purposes may create greater risk for the strategy than using derivatives solely for hedging purposes.

Equity securities: Investing in equity securities involve risks associated with the unpredictable drops in a stock's value or periods of below-average performance in a given stock or in the stock market as a whole.

Counterparty Risk: One or more counterparty(ies) used to swap transactions, foreign currency forwards or other contracts may default on their obligations under such swap, forward or other contract, and as a result, the strategy may not realize the expected benefit of such swap, forward or other contract. Furthermore and in the case of insolvency or failure of any counterparty, the strategy might recover, even in respect of property specifically traceable to it, only a pro-rata share of all property available for distribution to all of such party's creditors and/or customers. Such an amount may be less than the amounts owed to the strategy.

Global Investing: International investing involves certain risks such as currency exchange rate fluctuations, political or regulatory developments, economic instability and lack of information transparency. Securities in one or more markets may also be subject to limited liquidity.

Exchange rates: Changes in foreign currency exchange rates will affect the value of some securities held by such strategy.

Changes in laws and/or tax regimes: the strategy is subject to the laws and tax regime of Luxembourg. The securities held by the strategy and their issuers will be subject to the laws and tax regimes of various other countries, including a risk of tax re-characterization. Changes to any of those laws and tax regimes, or any tax treaty between Luxembourg and another country, or between various countries, could adversely affect the value to the strategy.

Portfolio concentration: Although the strategy of this strategy of investing in a limited number of stocks has the potential to generate attractive returns over time, it may increase the volatility of such strategy's investment performance as compared to portfolios that invest in a larger number of stocks. If the stocks in which such strategy invests perform poorly, the strategy could incur greater losses than if it had invested in a larger number of stocks.

Small-, Mid-, and Large-Capitalization Companies: Investments in small and mid-capitalization companies may involve greater risks than investments in larger companies, including fewer managerial and financial resources. Stocks of small and mid-size companies may be particularly sensitive to unexpected changes in interest rates, borrowing costs and earnings. As a result of trading less frequently, stocks of small and mid-size companies may also be subject to wider price fluctuations and may be less liquid.

Emerging markets: Investments in emerging market securities involve certain risks, such as illiquidity and volatility, which may be greater than those generally associated with investing in developed markets. The extent of economic development, political stability, market depth, infrastructure, capitalization, tax and regulatory oversight in emerging market economies may be less than in more developed countries.

Sustainable investing Risk: Sustainable investing focuses on investments in companies that relate to certain sustainable development themes and demonstrate adherence to environmental, social and governance (ESG) practices, therefore the composite's universe of investments may be reduced. It may sell a security when it could be disadvantageous to do so or forgo opportunities in certain companies, industries, sectors or countries. This could have a negative impact on performance depending on whether such investments are in or out of favor.

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Disclosure

MIROVA
French Public Limited liability company with board of Directors
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RCS Paris n°394 648 216
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Mirova is a subsidiary of Natixis IM.

Natixis Investment Managers comprises all the investment and distribution entities affiliated to Natixis Distribution, LLC and Natixis Investment Managers S. A. Natixis Investment Managers, headquartered in Paris and Boston, is a subsidiary of Natixis. Natixis is a subsidiary of BPCE, the second largest banking group in France.

Mirova US LLC

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Investments in the fund are mainly subject to loss of capital risk.

The figures provided relate to previous years and Past performance is no indicator of future performance.

Performance figures are calculated net management and running fees, included safekeeping fees and commissions.

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